

Message Text

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PAGE 01 BUENOS 01739 161909Z

44

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 NSCE-00 INRE-00 SP-02

USIA-06 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 COME-00 CIAE-00 INR-07 NSAE-00

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 4857

C O N F I D E N T I A L BUENOS AIRES 1739

E.O. 11652: GDS

TAGS: EINV, AR

SUBJECT: ARGENTINE INVESTMENT CASES: CHASE MANHATTAN

REF: (A) BUENOS AIRES 1653, (B) STATE 60197, (C) STATE 58028

1. AS FOLLOW-UP TO MY MEETING WITH FONMIN QUIJANO ON MARCH 11 AND HIS SUBSEQUENT CONVERSATION WITH ECON MINISTER MONDELLI (REFTEL A), CENTRAL BANK PRESIDENT ZALDUENDO ASKED ME TO CALL MARCH 15. WITH REGARD TO CHASE, ZALDUENDO SAID THAT ON MARCH 5, PRIOR TO HIS DEPARTURE FOR U.S., LOCAL CHASE REP LEON YBARRA HAD AGREED TO TEXT OF DECREE, INCLUDING REVALUATION CLAUSES, AND ZALDUENDO LEFT BUENOS AIRES THINKING MATTERS RESOLVED. HE HAD EVEN SIGNED PROMISSORY NOTE IN ANTICIPATION OF SIGNATURE OF DECREE BY PRESIDENT. ON MARCH 8, HOWEVER, LEON HAD INFORMED CENTRAL BANK THAT CHASE WANTED CHANGES TO DECREE AND NEGOTIATIONS HAD THEREFORE BEEN FURTHER PROTRACTED. ZALDUENDO ADDED THAT, AS WE WERE MEETING, CONVERSATIONS TO WORK OUT NEW FIGURES FOR DECREE WERE GOING ON BETWEEN YBARRA AND CENTRAL BANK OFFICIALS. HE CALLED IN CENTRAL BANK MANAGING DIRECTOR PORTA, WHO HAS BEEN PARTICIPATING IN TALKS AND BOTH HE AND PORTA EXPRESSED VIEW THAT AGREE-
MENT MIGHT BE REACHED VERY SOON, PERHAPS TODAY. AFTER
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PAGE 02 BUENOS 01739 161909Z

THAT SIGNATURES OF ECONOMY MINISTER MONDELLI AND MRS.

PERON COULD BE OBTAINED PROMPTLY. MEANWHILE, HE SAID, THERE HAS BEEN SOME MOVEMENT IN CONGRESS OF DRAFT BILL AUTHORIZING ESTABLISHMENT CHASE INVESTMENT BANK. ZALDUENDO HAS BEEN CALLED BY SENATE FINANCIAL COMMITTEE TO APPEAR ON MARCH 17 FOR QUESTIONS ON INVESTMENT BANK.

2. EMBASSY AND DEPT, I SAID, WERE MOST INTERESTED IN OBTAINING COPY OF DECREE WITH REVALUATION CLAUSES AS SOON AS POSSIBLE. I ASSUMED HE WAS AWARE FROM HIS MEETING WITH DEPUTY ASSISTANT SECRETARY FISHLOW OF THE URGENT NEED TO TAKE STEPS ON THE INVESTMENT CASES AND TO EMPHASIZE THIS I READ EXCERPTS FROM REFTEL C. I ASKED ZALDUENDO WHETHER HE HAD INFORMATION ON THE OTHER PENDING CASES, AND ALSO CITED DELAYS IN GOA APPROVAL OF BRANIFF NINTH FREQUENCY (OF WHICH ZALDUENDO TOOK NOTE.) WITH RESPECT TO MORGAN GUARANTY AND FIRST NATIONAL CITY BANK, ZALDUENDO SAID THESE CASES WOULD BE RESOLVED WHEN DRAFT BILL NOW IN CONGRESS IS APPROVED AND THAT GOA COULD DO NOTHING FURTHER UNTIL AFTER CONGRESSIONAL ACTION. AS HE HAD MENTIONED BEFORE, CONGRESSIONAL COMMITTEES ARE WORKING AND ZALDUENDO WOULD TAKE THE OPPORTUNITY OF HIS VISIT TO CONGRESS MARCH 17 TO INQUIRE ABOUT THE DRAFT LAW.

3. FOR INFORMATION ON ITT/STANDARD ELECTRIC, ZALDUENDO TURNED TO PORTA WHO SAID THAT \$6.5 MILLION OF EXTERNAL BONDS HAD BEEN ISSUED LAST WEEK TO CSEA IN PART PAYMENT OF ENTEL DEBT. WE HAVE BEEN UNABLE TO CONTACT CSEA PRESIDENT GABRIELLONI SO FAR TO ASCERTAIN SIGNIFICANCE AND PURPOSE THIS PAYMENT. ON EXXON CASE, ZALDUENDO SAID HE WAS NOT INFORMED.

4. IN CONCLUSION, ZALDUENDO SAID HE WOULD LET US KNOW AS SOON AS THE BANK AND CHASE HAD REACHED AGREEMENT ON THE TERMS OF THE DECREE.

5. EMBASSY REPLAYING SEPTTEL TO QUESTIONS ABOUT CHASE RAISED IN REFTEL B.
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